

GOVERNMENTAL OPERATIONS

Agency 140

Department of Revenue

Recommendation Summary

Dollars in Thousands

	Annual FTEs	General Fund State	Other Funds	Total Funds
2009-11 Expenditure Authority	1,145.8	221,791	19,086	240,877
Total Maintenance Level	1,143.4	225,980	14,906	240,886
Difference	(2.5)	4,189	(4,180)	9
Percent Change from Current Biennium	(0.2)%	1.9%	(21.9)%	0.0%
Performance Changes				
Revenue Enhancement	17.3	3,188		3,188
Reduce Communications Staff	(1.0)	(200)		(200)
Reduce County Advisory Appraisals	(6.0)	(1,028)		(1,028)
Closing Field Offices		(356)		(356)
Compliance Thresholds	(10.0)	(1,022)		(1,022)
Appeals Reform-Process Efficiencies	(3.0)	(536)		(536)
Reduce Policy Research Services	(6.0)	(1,224)		(1,224)
Mandatory Quarterly E-file/E-pay #	(6.0)	(906)		(906)
Printing Publications and Forms		(736)		(736)
Tax Administration Activities	(9.8)	(2,774)		(2,774)
Tax Collection Activities	(21.6)	(3,672)		(3,672)
Suspend Plan 1 Uniform COLA #		(2,561)	(141)	(2,702)
State Data Center Rate Increase		834	44	878
Subtotal	(46.1)	(10,993)	(97)	(11,090)
Total Proposed Budget	1,097.3	214,987	14,809	229,796
Difference	(48.5)	(6,804)	(4,277)	(11,081)
Percent Change from Current Biennium	(4.2)%	(3.1)%	(22.4)%	(4.6)%
Total Proposed Budget by Activity				
Administration	64.5	19,800	950	20,750
Property Tax Administration	52.5	15,132		15,132
State and Local Revenue Collection and Distribution	579.5	110,767	6,359	117,126
Tax Auditing	294.0	53,859		53,859
Tax Policy Research, Analysis, and Interpretation	47.5	10,687	2	10,689
Taxpayer Appeals	28.3	6,443		6,443
Unclaimed Property Management	31.2		7,590	7,590
Other Statewide Adjustments		(1,701)	(92)	(1,793)
Total Proposed Budget	1,097.3	214,987	14,809	229,796

PERFORMANCE LEVEL CHANGE DESCRIPTIONS

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Revenue Enhancement

This item adds two taxpayer account administrators, 5.3 FTE positions for compliance staff, and ten auditors. On average, each employee will bring in \$420,000 per fiscal year and cost \$95,000. All other agency adjustments add up to 5 percent in General Fund-State reductions. Savings will both pay for the additional employees and offset other potential reductions.

Reduce Communications Staff

The Department will eliminate one communications position from the Director's office. Internal communications can be handled by remaining program staff.

Reduce County Advisory Appraisals

The Department of Revenue (DOR) will reduce assistance to counties for advisory appraisals by eliminating 6 FTE staff. Existing law allows county assessors to request advisory appraisals if they lack the expertise and/or resources required to value complex commercial and industrial properties. Local government is highly dependent on accurate property assessments for funding. The inability to rely on advisory appraisals will affect the fairness and uniformity of property tax assessments statewide. DOR is statutorily required to provide advisory appraisals on all commercial industrial properties over \$25 million in value. DOR will maintain enough staff to be able to complete up to 25 advisory appraisals each year.

Closing Field Offices

The Department of Revenue will close and consolidate several field offices in the 2011-13 biennium. Closing and consolidating field offices will reduce leased square footage, and reduce costs for facilities management and lease oversight. Field offices set for closure include Lacey and Aberdeen. The Everett field office will be consolidated with Bothell.

Compliance Thresholds

Because of a staff reduction, the Department of Revenue's Compliance division will implement thresholds in its delinquent account collection activities. By implementing thresholds, collections staff will focus on higher dollar accounts and more complex collection activities.

Appeals Reform-Process Efficiencies

The Department of Revenue will streamline its internal appeals process. It is estimated that streamlining appeals processing will allow the Department to reduce costs by cutting 3 FTE staff positions. This change will enable existing staff to process the expected increase in "nexus" appeals while continuing to provide taxpayer education through decisions. These efforts assist the Department to achieve a 97.9 percent voluntary compliance rate and a 5 percent rate of further administrative review by the Board of Tax Appeals or the courts.

Reduce Policy Research Services

The Research, Legislation and Policy and Interpretations and Technical Advice divisions will eliminate 6 FTE staff. This reduction will result in reduced services to external stakeholders, suspension of some publications and interpretive statements, and decreased support to internal operating divisions, Office of Financial Management, and the Legislature.

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Mandatory Quarterly E-file/E-pay #

The Department of Revenue will require quarterly taxpayers to file and pay tax returns electronically. This will reduce the cost of collecting revenue. This item will require quarterly taxpayers to file and pay tax returns to the Department electronically. The Department will realize administrative savings from this change, as evidenced by the savings created with monthly taxpayers who are now required to file and pay electronically. Expanding the existing electronic filing and payment program to include quarterly taxpayers is a logical next step.

Printing Publications and Forms

The Department will eliminate the printing and mailing of several forms and publications. Publications and forms no longer printed will be available on the Department's internet site. With the widespread availability and use of the internet, most taxpayers have internet access.

Tax Administration Activities

In order to meet the 2011-13 biennium reduction target, the Department will need to take reductions which impact the agency's tax administration activities. Approximately 15 percent of the Department's staff is in tax administration, non-revenue generating divisions. Although reductions have been made throughout the Department, the most significant reductions are in the Information Services, Human Resources and Business and Financial Services divisions. Overall, the Department will reduce 9.8 FTE staff in tax administration activities.

Tax Collection Activities

The Department will reduce 21.6 FTE staff support positions (including Washington Management Services) that indirectly impact revenue collections. It also will reduce expenditures associated with goods and services and staff training.

ACTIVITY DESCRIPTIONS

Administration

Internal administrative services support activities to effectively carryout agency operations and the strategic business plan. These services include the overall management of the agency through executive oversight, internal auditing, accounting and budgeting, payroll administration, facilities management, purchasing, human resources, organizational development, and legal services provided by the Attorney General's Office.

Property Tax Administration

The Department of Revenue has a statutory obligation to ensure uniformity within the state's property tax system and oversee the administration of property taxes at both the state and local levels. The Department also determines the state school levy; conducts complex appraisals on commercial, industrial, and special use properties; administers property tax exemptions and deferral programs; and provides guidance, training, and assistance on property tax issues to county officials. The Department also performs appraisals throughout the state on inter-county and inter-state utility companies. These activities have a combined assessed value in excess of \$15 billion and provide over \$179 million dollars in property tax each year for local government and state schools.

State and Local Revenue Collection and Distribution

The Department of Revenue is responsible for the fair, efficient, and uniform administration of state tax laws. Primary activities include taxpayer registration, tax return processing collection activities, accounting for and distributing state and local tax revenues, promotion of voluntary compliance through taxpayer education, information and assistance, and enforcement. These activities are conducted from offices throughout the state and are supported by a statewide computer network.

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Tax Auditing

Audit Division activities support the voluntary reporting and payment of taxes and the administration of the tax system. Audit Division staff are assigned to field offices across the state and other locations throughout the United States, or as roving out-of-state auditors based out of Washington. Auditors conduct audits of businesses that have activity in Washington State, working directly with taxpayers to verify the accuracy of taxes reported, and to identify and correct improper reporting, leveling the tax burden on Washington State businesses. Audit Division activities also include educating taxpayers about tax reporting through business outreach seminars, consultation visits, and other speaking engagements. Internally, the Audit Division assists the Department in understanding the practical application of tax law by identifying changes in technology, business activities, and industries. Externally, the Audit Division is, in many cases, a face for the Department and often serves as a taxpayer's first and only primary contact with the Department.

Tax Policy Research, Analysis, and Interpretation

Tax policy activities focus on providing timely and accurate information for policy decision makers, clear guidance to taxpayers, employees, and the public regarding tax law and policy application, and coordinating interdivisional policy analysis and studies. Specific functions include coordinating interdepartmental policy analysis and studies; preparing fiscal notes; analyzing and drafting legislation; reviewing and drafting rule revisions; providing technical policy advice to operating divisions; forecasting non-general fund revenues; and analyzing proposed changes to tax statutes on small business.

Taxpayer Appeals

The Department receives over 900 taxpayer appeals each year. These appeals are comprised of five case types: small claims (single issue, up to \$50,000 in tax, penalties, and interest); executive (first impression, industry wide significance); maintenance (regular appeals); revocations (business registration revocations), and Board of Tax Appeals (BTA) informal appeals from agency final decisions. When an appeal is concluded the Department issues written determinations, renders confidential tax law interpretations, negotiates settlements of tax disputes, executes settlement closing agreements when appropriate, and publishes select determinations. When these cases are appealed to the BTA, the Appeals Division presents the agency case during informal proceedings. The BTA renders the final decision.

Unclaimed Property Management

The Department administers the provisions of the State Uniform Unclaimed Property Act. The unclaimed property program is a consumer protection program charged to return abandoned property to the property owner. The Department receives the transfer of abandoned property to the state and attempts to locate the owners through advertising and by providing public access to abandoned property information. The Department's role is to act in the interest of the property owners and return the abandoned property to the rightful owners whenever possible. Examples of abandoned property include utility deposits, insurance policies, safety deposit box contents, dividends, and savings accounts. Unclaimed property does not include real estate, vehicles, and most other physical property. (Unclaimed Personal Property Account-Nonappropriated)

Other Statewide Adjustments

This item reflects proposed compensation and other adjustments that were not allocated to individual agency activities. This agency will assign these costs to the proper activities after the budget is enacted.